

Message Text

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45

ACTION ARA-20

INFO OCT-01 ADP-00 AGR-20 EB-11 COME-00 TRSE-00 FRB-02

OMB-01 CIEP-02 STR-08 EA-11 EUR-25 NEA-10 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-03

RSC-01 PRS-01 SS-15 USIA-15 RSR-01 /180 W

----- 124012

R 181800Z AUG 73

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 2253

INFO AMEMBASSY GUATEMALA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

UNCLAS MANAGUA 3471

SAN SALVADOR FOR AGATT

GUATEMALA FOR ROCAP

E. O. 11652: N/A

TAGS: EAGR, NU

SUBJECT: RENEGOTIATING COTTON FUTURE CONTRACTS: OFF TO TOKYO

1. THE SECRETARY OF THE NATIONAL COTTON COMMISSION (CNA), AFFREDO AVILES GALLO, INFORMED EMBOFF THAT NICARAGUAN COTTON GROWERS ARE PLANNING TO SEND A DELEGATION TO TOKYO TO ATTEMPT TO RENEGOTIATE COTTON FUTURE CONTRACTS, POSSIBLY NEXT WEEK (AUG 20). THE DEL WILL STOP FIRST IN GUATEMALA TO MEET WITH AND PRESUMABLY BE JOINED BY COTTON GROWERS THERE. HE REPEATED THE FAMILIAR ARGUMENTS FOR RENEGOTIATION, THAT PRICES OF INPUTS HAD RISEN BECAUSE OF THE DEVALUATION OF THE DOLLAR, AND THAT BECAUSE OF THIS FARMERS WOULD LOSE MONEY IF THEY ONLY RECEIVED THE PRICES NEGOTIATED EARLIER. HE SAID THAT ANY NUMBER OF FORMULAS WOULD BE ACCEPTABLE, SUCH AS AN AGREEMENT TO DELIVER HALF OF EACH CONTRACT AT THE ORIGINAL PRICE AND HALF AT THE PRESENT WORLD PRICE.

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2. THE DELEGATION, IF IT ACTUALLY GOES, WILL CONSIST OF GENERAL JOSE RODRIQUEZ SOMOZA, EXEC. SECY, CNA, JAIME GURDIAN OF THE COOP ANSCA OF LEON, AND JORGE ZALAYA, PRESIDENT OF THE COOP ALGODONERA OF MANAGUA.

3. AVILES SAID THAT BECAUSE THE BROKERS IN NICARAGUA ARE ONLY MIDDLEMEN, THEY WERE UNABLE TO RENEGOTIATE CONTRACTS; THAT ONLY THE MAJOR JAPANESE BUYERS COULD DO THAT. HE SAID THE CNA HAD NO INDICATION THAT THE JAPANESE WOULD AGREE TO RENEGOTIATIONS AND PERSONALLY SAW NO REASON WHY THEY SHOULD.

4. HE SAID THAT HIS PREFERRED SOLUTION WOULD BE FOR THE GON TO LEGISLATE A MINIMUM EXPORT PRICE. THE GROWERS AND BROKERS BOTH COULD THEN PLEAD FORCE MAJEUR AND BREAK THEIR CONTRACTS. HE SAID THAT SEVERAL COUNTRIES HAD ALREADY DONE THIS AND MENTIONED INDIA, PAKISTAN, RUSSIA, EGYPT, AND HE THOUGHT POSSIBLY BRAZIL AND ARGENTINA. HE ADMITTED THAT SUCH A LAW WOULD DESTROY THE FUTURES MARKET IN NICARAGUA AND SAID THAT THE GON HAD RESPONDED NEGATIVELY TO THE NCA'S REQUEST FOR SUCH A LAW.

5. AVILES SAID THAT WHILE SOME WERE PREDICTING A CROP OF UP TO 600,000 BALES THIS YEAR (1973-74), HIS OWN ESTIMATE WAS A MORE CONSERVATIVE 560,000. HE BASED HIS ESTIMATE ON HIS PROJECTION OF PLANTINGS OF 220,000 MANZANAS, WHICH WAS IN TURNED BASED ON INSCRIPTIONS TO DATE WITH THE CNA.

SHELTON

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